

POLICE ACADEMY
HILLA, IRAQ

SIGIR PA-05-032
JANUARY 31, 2006

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 31 JAN 2006		2. REPORT TYPE		3. DATES COVERED 00-00-2006 to 00-00-2006	
4. TITLE AND SUBTITLE Police Academy Hilla, Iraq				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Office of the Special Inspector General for IRAQ Reconstruction,400 Army Navy Drive,Arlington,VA,22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 42	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 31, 2006

MEMORANDUM FOR COMMANDER, GULF REGION DIVISION, U.S. ARMY
CORPS OF ENGINEERS AND DIRECTOR, PROJECT
AND CONTRACTING OFFICE
COMMANDER, JOINT CONTRACTING COMMAND-
IRAQ/AFGHANISTAN
DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT
OFFICE

SUBJECT: Report on Project Assessment of the Police Academy, Hilla, Iraq
(Report Number SIGIR-PA-05-032)

We are providing this project assessment report for your information and use. We assessed the in-process construction work being performed at the Police Academy, Hilla, Iraq, to determine its status and whether intended objectives will be achieved. This assessment was made to provide you and other interested parties with real-time information on a relief and reconstruction project underway and in order to enable appropriate action to be taken if warranted. The assessment team included an engineer and an auditor.

We discussed the results of this project assessment with representatives of the Project and Contracting Office, Gulf Region Division of the U.S. Army Corps of Engineers, and Joint Contracting Command-Iraq/Afghanistan, all of whom concurred with our conclusions. This report includes no recommendations that required management comments.

We appreciate the courtesies extended to our staff. This letter does not require a formal response. If you have any questions please contact Mr. Brian Flynn at (703) 343-9149 or brian.flynn@iraq.centcom.mil or Mr. Michael Stanka, P.E., at (703) 343-9149 or michael.stanka@iraq.centcom.mil.

Stuart W. Bowen, Jr.
Inspector General

Special Inspector General for Iraq Reconstruction

SIGIR PA-05-032

January 31, 2006

Police Academy in Hilla, Iraq

Synopsis

Introduction. This project assessment was initiated as a result of advice given to SIGIR by the Media Affairs Advisor of the Project and Contracting Office of correction of the deficiencies noted in Audit Report SIGIR 05-016, Management of the Contracts and Grants Used to Construct and Operate the Babylon Police Academy. The overall objective was to evaluate if contract deficiencies at the Hilla¹ Police Academy were corrected. We sent an assessment team to the site to review the status of contracts to upgrade the facility. Our primary focus was an assessment of the construction portion of an Iraq Relief and Reconstruction Fund (IRRF) funded life support contract (W914NS-04-C-9046) for the Hilla Police Academy. We also assessed five of the eleven earlier Development Fund for Iraq (DFI) contracts for the Hilla Police Academy to determine if previously known deficiencies were remedied. These assessments were conducted in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included a professional engineer and an auditor.

Project Assessment Objective. The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties in order to enable appropriate action, when warranted.

- For the construction portion of an IRRF-funded life support contract (W914NS-04-C-9046), we determined if:
 - Project results were consistent with original objectives;
 - Project components were adequately designed prior to construction or installation;
 - Construction or rehabilitation met the standards of the design; and
 - Contractor's Quality Control (CQC) plan and the U.S. Government's Quality Assurance (QA) program were adequate.
- For the five DFI contracts, we determined whether the completed projects were consistent with original objectives. In addition, we focused on the evaluation of previously known deficiencies to determine if appropriate corrective action was taken.

Conclusions. The assessment determined that:

IRRF Contract W914NS-04-C-9046

1. The completed addition to the Hilla Police Academy meets and is consistent with original project objectives. The intent of the second part of the contract was the

¹The contracts and grants included in our original audit report (SIGIR 05-016) referred to the police station by various names including Babylon, Babil, Hilla, and Al Hillah. The contracts under which the Media Affairs Advisor indicated that corrective action had been implemented referred to the police academy as Al Hillah and Al Hilla. Due to the various spellings for cities in Iraq we have chosen to use the United Nations approved spelling. We realize the contracts use the spelling Al Hillah and Al Hilla.

construction of an additional 600-man, semi-permanent facility which included student billeting, instructor billeting, a laundry room, classrooms, a dining facility, and renovated and new gates. These components were constructed or installed. However, there were multiple problems identified during construction as documented by: two Cure notices, one show cause letter, the MNSTC-I CG letter, and the partial contract termination of the force protection component of the project. Further, there are ongoing problems identified in our onsite assessment such as: cracks in the walls, backup power capability, poorly constructed sidewalks, and evidence of roof leaks in the dining facility. Continued degradation of the Police Academy infrastructure will occur if these problems are not addressed.

2. The design, as required by the statement of work (SOW), was not accomplished. It appears the U.S. Government did not ensure the design requirements were met. Even though the SOW clearly required design submittals for the major components of the police academy addition, the contractor did not provide them. The contractor was required to provide engineering and architectural design for all work necessary to complete the project. Further, the contractor was required to provide copies of all design specifications and manuals used. The SOW also required construction drawings for all new construction, plumbing installation, electrical distribution design, water system design, and sanitary sewer system design. In addition, the SOW required catalog cuts for all the types of equipment to be installed under the contract. The contractor did not provide any of these submittal requirements nor did the U.S. Government actively seek to obtain them during the contract period.
3. There was no design available to determine if the construction met design standards. The facilities constructed at the Hilla Police Academy appear to be functional, thus allowing Iraqis to be trained as police officers.
4. The contractor's quality control plan and the U.S. Government's quality assurance program were not adequate. No established procedures were in place to ensure that potential construction deficiencies were detected, evaluated, and properly corrected in a timely manner. There was no documentation demonstrating an active Contractor Quality Control Program other than the contractor's proposal of 17 August 2004. Further, the U.S. Government did not have a Project Engineer available to provide ongoing quality assurance during the construction of the police academy's additional facilities needed for the 600 personnel increase.

DFI Contracts.

1. DABV01-04-M-8069, 24 January 2004, \$475,000: This contract required the construction of security walls and gates. The completed project was not consistent with original objectives. Gaps still existed in the walls that would permit insurgents to fire weapons or place bombs inside the academy. The walls were insufficient to provide maximum security to the academy occupants even though some of the gaps were filled with sand bags and Hesco walls were installed next to many of the wall deficiencies. In addition, a foundation for the walls was not constructed. Also, the three electric sliding metal gates were never delivered or installed. Therefore, the original objective of the contract was not met.

2. DABV01-04-M-8070, 24 January 2004, \$495,000: This contract was for the construction of a guard building, conference buildings, living quarters, and a wastewater facility. The completed project was not consistent with original objectives. The wastewater facility was not installed as the contract required. The contractor did not resolve the design with two pumps; only one pump was installed. Therefore, the original objective of the contract was not met.
3. DABV01-04-M-8091, 31 January 2004, \$498,600: This contract included six mobile police station units and six all-terrain vehicles. The completed project was not consistent with original objectives. Although the six mobile police station units (trailers) were delivered, the six all-terrain vehicles were not. Therefore, the original objective of the contract was not met.
4. DABV01-04-M-8265, 2 March 2004, \$448,500: This contract was for security upgrades to include an external lighting system, steel guard towers, and hydraulic steel lifts at each gate. The completed project was not consistent with original objectives. None of these items were delivered or installed. Therefore, the original objective of the contract was not met.
5. DABV01-04-M-8326, 23 March 2004, \$479,550: This was for a power generation system consisting of two generators (1 Megawatt generator and a 500-Kilowatt generator) and concrete pads for the generators. The completed project was not consistent with original objectives. The contractor did not deliver or install the two generators. In addition, one generator removed for overhaul was not returned. Therefore, the original objective of the contract was not met.

SIGIR Comment. Our report of audit dated 26 October 2005, Report 05-016, recommended that the Commander, Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) ensure all purchased equipment is delivered and construction is complete. Management agreed; however, to date, no progress has been accomplished.

Recommendations. The Director, Iraq Reconstruction Management Office; Commander, Gulf Region Division; Commander, Joint Contracting Command-Iraq/Afghanistan, and Commanding General of the Multinational Transition Security Command-Iraq should coordinate and:

1. Repair existing construction deficiencies at the police academy. Ensure all deficiencies are properly identified and that a thorough onsite inspection is conducted to develop a complete list of deficiencies. The list can be turned over to SBIG for corrective action or a separate contract could be executed to carry out the necessary repairs.
2. In the future, maintain separate contracts for construction requirements and life support contracts.
3. Establish and implement procedures for the proper handling and reviewing of contractor submittal requirements. Implement a mechanism to review and accept or reject contractor submittals and catalog cuts.
4. Correct the long-standing DFI contract deficiencies at the Hilla Police Academy.

Management Comments. The Principal Assistant Responsible for Contracting, JCC-I/A, concurred with our conclusions and recommendations providing the following comments with an alternate solution for recommendation 2. Also, management provided input for the discussion on page 11 stating, “In addition to waiving rights to claim for termination costs, the government received consideration from SBIG in the form of payment of \$600,000.”

1. “The contracting officer, contract administrator, the contracting officer representative, and a United States Air Force Security Police specialist visited the site in early December 2005 to evaluate the security deficiencies. CPATT is preparing specifications to implement the changes to security system requirements. Based upon this report, the contracting officer will request MNSTC-I to obtain the services of engineers, for example GRD to conduct an engineering assessment of the facility for structural soundness. If corrective action is required, the contracting officer and MNSTC-I will then determine the best approach for any repairs.”
2. Concur with alternate solution. “JCC-I/A concurs that construction requirements should be separated from service contracts with the exception of temporary facilities. Non-concur that the construction requirement should not be provided to GRD to award contracts. JCC-I/A is the contracting activity established by USCENCOM to provide all contracting in the theater, efficiently and effectively at the least cost. GRD charges for the awarding of contracts. MNSTC-I should, however, consider requesting GRD to administer the construction contract after it is awarded by JCC-I/A. JCC-I/A concurs that construction contracts should be administered by engineers, but awarded by JCC-I/A contracting officers.”
3. “The handling of data submittals is part of the normal construction and no additional procedures are necessary. Technical support must be available to the Contracting Officer to review the submittals. At this time, most of our customers have limited ability to perform these technical reviews. GRD with their engineering expertise would be the most qualified organization to perform function of construction contract administration.”
4. “JCC-I/A concurred on the original recommendation. DFI-funded contracts were awarded by CPA and the contractor was paid by CPA for work that was not completed. If additional funds are provided, JCC-I/A will award contracts to complete the work and delivery in a satisfactory manner and all equipment is received.”

Evaluation of Management comments. Management comments addressed the issues raised in our conclusions; actions taken should correct the deficiencies. We agree with management’s alternate solution to recommendation 2. Therefore, we have revised our report accordingly.

Table of Contents

Synopsis	i
Introduction	1
Iraq Relief and Reconstruction Fund Contract	2
Objective of the Project Assessment	2
Pre-Site Assessment Background	2
Contract W914NS-04-C-9046 and Costs	2
Project Objective	6
Description of Facility (Preconstruction)	6
Scope of Work of the Academy Installation Portion of the Contract	6
Contractor's Technical Proposal	8
Reported Project Work Completed	9
Site Assessment	12
Construction Design and Submittal Review	12
Onsite Assessment	12
Summary of the Results	13
Project Quality Management	20
Development Fund for Iraq Contracts	21
Objective of the Project Assessment	21
Pre-Site Assessment	21
Description of Facility (Preconstruction)	21
DFI Contracts and Costs	21
Contract Work Not Completed as Reported in May 2005	22
Site Assessment	23
Conclusions	27
Recommendations	29
Management Comments	29
Evaluation of Management Comments	30
Appendixes	
A. Scope and Methodology	31
B. Acronyms	32
C. Report Distribution	33
D. Assessment Team Members	35

Introduction

Background

On 26 October 2005, the Special Inspector General for Iraq Reconstruction (SIGIR) released a report titled “Management of the Contracts and Grants Used to Construct and Operate the Hilla Police Academy (Report No. SIGIR 05-16).” This audit report discusses the deficiencies in the Coalition Provisional Authority South-Central Region’s process for managing 11 contracts, 4 grants, and 1 grant modification awarded for more than \$7.3 million to establish and operate the Hilla Police Academy in Hilla, Iraq. These contracts and grants were funded with the Development Fund for Iraq (DFI) and the 11 contracts were valued at \$5,262,015. A single contractor, Global Business Group Logistics (heretofore referred to as GBG), competed for the contracts using two different company names and was awarded all 11 contracts during a period from 04 January to 25 March 2004. SIGIR Report 05-16 documented significant contract deficiencies noting:

“South-Central Region needlessly expended almost \$1.3 million funds for duplicate construction; equipment not needed, not delivered, and overpriced; and inaccuracies not identified in contract documents.”

In June 2004, the Coalition Provisional Authority identified a requirement to establish life support at the existing Hilla Police Academy, and installation (i.e., construction) and life support for an additional 600 man semi-permanent facility at the Police Academy. A request for proposal was issued on 09 July 2004, and the Joint Contracting Command - Iraq, awarded a contract to SBIG Logistics and Technical Services, Inc. (heretofore referred to as SBIG) on 10 September 2004.²

As this assessment documents, numerous problems associated with the performance of the contract existed during the contract period from 15 September 2004 to 30 September 2005. Because of contract deficiencies, the Hilla Police Academy closed operations for several weeks in June 2005. This prompted an immediate reaction from the Commanding General of the Multinational Transition Security Command-Iraq who in a letter to SBIG’s Chief Executive Officer stated:

“SBIG’s failure to meet the most fundamental elements of this critical multi-million dollar contract to the point where we have to stop training and close the academy is the single biggest contractor failure I have witnessed in my nearly 24 months in Iraq.”

Given the performance issues associated with the DFI contracts with GBG and the IRRF contract with SBIG, there was compelling evidence demonstrating significant problems at the Hilla Police Academy from January 2004 to September 2005.

² The contract Statement of Work referred to the Babylon Police Academy as the Al Hilla Police Academy. The two designations refer to the same police academy. However, for clarity, the balance of this report will use Hilla Police Academy when referring to the police academy.

On 18 November 2005, the U.S. Mission Project and Contracting Office's Media Affairs Advisor informed the Special Inspector General for Iraq Reconstruction that a turnaround had occurred at the Hilla Police Academy. The Hilla Police Academy had become a "success" story. Further, the Media Advisor suggested to the Inspector General that SIGIR conduct a follow-on assessment of the Police Academy. The Inspector General agreed to conduct the assessment and an announcement letter followed on 25 November 2005.

The subsequent sections of this report provide a detailed account of the contracting and performance issues associated with the SBIG contract. Additionally, the report also provides information relating to five of the eleven DFI contracts awarded to GBG.

The first part of the report focuses on the construction portion of the life support IRRF contract awarded to SBIG. In this part of the report, contract requirements are reviewed, technical aspects of the statement of work are detailed, contract performance is documented, and results of the 23 December 2005 site visit are presented.

The second part of the report is devoted to the assessment of five of the eleven DFI contracts with GBG. The assessment consists of a review of the contract requirements for each of the five projects, a summary of the work completed on each contract, and a review of the 23 December 2005 site visit to the Hilla Police Academy.

IRRF Contract at the Hilla Police Academy

Objective of the Project Assessment

The objective of this part of the IRRF contract project assessment was to provide real-time relief and reconstruction project information to interested parties in order to enable appropriate action, when warranted. Specifically, we determined whether:

1. Project results are consistent with original objectives;
2. Project components were adequately designed prior to construction or installation;
3. Construction or rehabilitation met the standards of the design; and
4. Contractor's quality control plan and the U.S. Government's quality assurance program were adequate.

Pre-Site Assessment Background

Contract W914NS-04-C-9046 and Costs

Contract W914NS-04-C-9046, was awarded as a firm fixed price, to SBIG on 10 September 2004. The contract terms included the acceptance of SBIG's 17 August 2004 proposal submitted in response to solicitation W914NS-04-R-9008 (Al Kut and Hilla Base Support Services). The four contract line items are listed below.

- 0001 - Base Support Services at Al Kut, Iraq, in accordance with Statement of Work.

- 0002 - Mobilization to support CLIN 0001.
- 0003 - Base Support Services at Hilla, Iraq, in accordance with Statement of Work.
- 0004 - Mobilization to support CLIN 0003.

CLIN 0004 listed as mobilization, also included the construction of a 600 man semi-permanent addition for the police academy at Hilla. CLIN 003 included the life support of the existing 600-man police academy, and the life support for the additional 600-man semi-permanent facility. Table 1 shows the contract amounts for each of the four CLINs when the contract was awarded to SBIG.

CLIN	Description	Quantity	Unit	Monthly Amount	Annual Amount
0001	Base Operating Support – Al Kut	12	Month	\$301,298	\$3,615,576
0002	Mobilization – Al Kut	1	Lot	\$177,467	\$177,467
0003	Base Operating Support – Hilla	12	Month	\$890,809	\$10,689,708
0004	Mobilization & Camp Installation at Hilla	1	Lot	\$9,134, 662	\$9,134, 562
Total Contract Amount at Award:					\$23,617,313

Table 1: CLINs for Contract W914NS -04-C-9046 at Contract Award

This assessment focuses on the installation (i.e., design and construction) of the 600-man semi-permanent addition for the Police Academy at Hilla, which was part of CLIN 0004.

The contract period covered a base year from 15 September 2004 to 14 September 2005, and one option year for continued life support. However, prior to the end of the base year, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) chose not to exercise the option for CLINs 0003 and 0004. The option was exercised for CLINS 0001 and 0002 for life support services at the Al Kut Police Academy.

There were eight modifications to contract W914NS-04-C-9046:

- Modification # 01 was issued 25 September 2004, to change the contractor's home office address. No additional funding was added at this time.
- Modification #02 was issued 17 October 2004 for administrative purposes. No additional funding was added at this time.
- Modification #03 was issued 27 February 2005 to make adjustments in the schedule of services to account for the contractor's failure to perform required life support services at Hilla. To accomplish the deductive modification, CLIN 0003 was reduced in quantity from 12 months to 3 months. Alternatively, three other CLINS were established to account for price adjustments because of a reduction in services. A new CLIN 0004 was established for two months of life support services, CLIN 0005 was established for a performance period of six months and CLIN 0006 was established for a period of performance of one month. The CLIN for mobilization and construction was revised from being CLIN 0004 to CLIN 0007. Table 2 summarizes these changes.

CLIN	Description	Quantity	Unit	Monthly Amount	Annual Amount
0003	Base Operating Support – Hilla (POP: 15 September 2004 - 14 December 2004)	3	Month	\$890,809	\$2,672,427
0004	Base Operating Support – Hilla (POP: 15 December 2004 - 14 February 2005)	2	Month	\$360,809	\$721,618
0005	Base Operating Support – Hilla (POP: 15 February 2005 – 14 August 2005)	6	Month	\$777,809	\$4,666,854
0006	Base Operating Support – Hilla (POP: 15 August 2005 – 14 September 2005)	1	Month	\$890,809	\$890,809
0007	Mobilization & Camp Installation at Hilla	1	Lot	\$9,134, 562	\$9,134, 562
Note: POP is Period of Performance					

Table 2: CLINs for Hilla Police Academy Changed by Modification #03

Overall, the modification reduced the total contract amount by \$1,738,000 from \$23,617,313 to \$21,879,313. The modification also established 7 March 2005 as the date for completion of construction services at Hilla.

- Modification #04 was issued 16 May 2005 to make adjustments in the schedule of services to account for the reductions in students at Hilla and the increases in students at Al Kut. There were several changes to the Hilla CLINs. CLIN 0005 was reduced from a six month period of performance to three months. A new CLIN 0006 was established for a three month period with a total price of \$1,061,619. CLIN 0006 from Modification #03 was renumbered as CLIN 0007 and reduced to \$466,873. Additionally, the CLIN for mobilization and construction at Hilla was revised from CLIN 0007 to CLIN 0008. Table 3 summarizes the changed CLINs for the Hilla portion for the contract.

CLIN	Description	Quantity	Unit	Monthly Amount	Annual Amount
0005	Base Operating Support – Hilla (POP: 15 February 2005 – 14 May 2005)	3	Month	\$777,809	\$2,333,427
0006	Base Operating Support – Hilla (POP: 15 May 2005 – 14 August 2005)	3	Month	\$353,873	\$1,061,619
0007	Base Operating Support – Hilla (POP: 15 August 2005 – 14 September 2005)	1	Month	\$466,873	\$466,873
0008	Mobilization & Camp Installation at Hilla	1	Lot	\$9,134, 562	\$9,134, 562
Note: POP is Period of Performance					

Table 3: CLINs for Hilla Police Academy Changed by Modification #04

As a result of the changes associated with Modification #04, the total contract amount was increased by \$1,635,903.50, from \$21,879,313.00 to \$23,515,216.50.

- Modification #05 was issued 31 May 2005, to terminate the site security services portion of the contract at Hilla for non-performance. Specifically, the contractor's site security plan did not establish a timeline for:
 - Concertina wire installation.
 - Cabling Jersey barriers.
 - Submission of Pass and Identification Standard Operating Procedures.
 - Providing overhead protection.

Further, the contractor's site security plan did not address communications among all security personnel or a timeline for plan implementation. Contract funding was not changed at this time, but a negotiated settlement was pending.

- Modification #06 was issued 22 August 2005 to convert the termination for cause set forth by Modification #05, dated 31 May 2005, to a no cost termination. However, to account for the non-performance, this modification made adjustments in the schedule of services to account for the reductions in security services at Hilla. As a result, several CLINs were adjusted and one was added to account for the reductions in monthly services and corresponding unit prices. Additionally, the CLIN for mobilization and construction at Hilla was revised from CLIN 0008 to CLIN 0009. The changes to the CLINs because of Modification #06 are reflected in Table 4.

CLIN	Description	Quantity	Unit	Monthly Amount	Annual Amount
0006	Base Operating Support – Hilla (POP: 15 May 2005 - 14 June 2005)	1	Month	\$353,873	\$353,873
0007	Base Operating Support – Hilla (POP: 15 June 2005 – 14 August 2005)	2	Month	\$153,873	\$307,746
0008	Base Operating Support – Hilla (POP: 15 August 2005 – 14 September 2005)	1	Month	\$266,873	\$266,873
0009	Mobilization & Camp Installation at Hilla	1	Lot	\$9,134, 562	\$9,134, 562
Note: POP is Period of Performance					

Table 4: CLINs for Hilla Police Academy Changed by Modification #06

Overall, Modification #06 decreased the total contract amount for W914NS-04-C-9046 by \$600,000.00, from \$23,515,216.50 to \$22,915,216.50

- Modification #07 was issued 03 September 2005 to extend the contract from 14 September 2005 to 30 September 2005 for Hilla and Al Kut. The total contract amount was increased by \$639,159.00 from \$22,915,216.50 to \$23,554,375.50.

The Hilla portion of contract W914NS-04-C-9046 ended on 30 September 05. The Al Kut life support services part of the contract was extended, and is currently active. The Government executed a subsequent life support contract (W914NS-05-D-9033) for Hilla. This follow-on contract was also awarded to SBIG for services commencing on 01 October 2005 and is currently active.

To summarize, contract W914NS-04-C-9046 included life support services for the police academies in Hilla and Al Kut. Total contract value at the end of September 2005 was over \$23 million. However, this assessment pertained only to the installation (design and construction) of new semi-permanent facilities to support an additional 600 students at the Hilla Police Academy, which was the portion of the contract contained in CLIN 0009. Contract value for CLIN 0009 was \$9,134,562.

Project Objective

The 4 June 2004, Statement of Work for Hilla issued with solicitation W914NS-04-R-9008, states:

“The US Mission Iraq, and the Iraq Minister of Interior has a requirement to establish a semi-permanent police training academy in Hilla, Iraq. This requirement consists of two parts. First is the life support of the existing 600 man temporary facility, the second part is the life support and installation of an additional 600 man semi-permanent facility.”

Specifically, the intent of the contract’s second phase was for basic design and construction services to provide:

- Billeting facilities for 600 students and collocated hygiene (toilets and showers) facility;
- Separate billeting for 50 instructors with hygiene facilities and a recreational lounge;
- A laundry room;
- Twelve (12) classroom facilities for 600 students;
- A six hundred (600) man dining facility;
- Renovated and new utilities (electrical generation and distribution, potable water storage and distribution, and sanitary sewer);
- Heating ventilation, and air conditioning (HVAC) units;
- An area lighting system; and
- Force protection - security for entire site including all necessary barriers, perimeter walls, and gates required.

Description of the Facility (Preconstruction)

The description of the facility (preconstruction) is based on information from the initial Statement of Work (4 June 2004), the SBIG proposal (17 August 2005), and the contract file. The site selected for construction was an open area with no existing structures which was adjacent to the existing Hilla Police Academy constructed as part of an earlier DFI contract.

Scope of Work of the Academy Installation Portion of the Contract

The contract SOW for the additions to the existing police academy at Hilla required the design and construction of the following major components to support 600 more students:

- Civil site work;
- Grading and excavation;

- 600 student training facility;
- 600 student billet construction;
- Collocated/adjacent hygiene facility;
- Instructors' billeting with lounge;
- Collocated hygiene facility;
- Instructor laundry room;
- Dining facility;
- Renovation of existing utilities;
- Sanitary sewer system;
- Electrical power distribution system;
- Heating ventilation and air conditioning;
- Packaged terminal air handling units (split system air conditioners);
- Area lighting system; and
- Potable water supply system.

In addition, the SOW included specific requirements for project design, submittals, and approvals. Section 5.15.5 required the following submittals related to design and construction:

- Site security plan;
- Small arms range designs;
- Sanitary sewer system existing conditions survey;
- Sanitary sewer system design;
- Renovation of existing buildings design;
- Building equipment and fixtures (including cut-outs);
- Bathroom fixtures to include toilets, sinks, faucets, showerheads;
- Kitchen fixtures;
- Pumps, valves, tanks, water heaters;
- Air conditioning systems, heaters, fans;
- Lights (interior and exterior), distribution boxes, transformers, ring gears, transfer switches, generators;
- Fire extinguishers, fire hoses, emergency exit lights;
- Water supply and distribution existing conditions survey;
- Water supply and distribution system design;
- Electrical power supply and distribution existing conditions survey;
- Electrical power supply and distribution design;
- Area lighting plan and design; and
- Trailer, tent or pre-fabricated modular design for classrooms and for living quarters.

Section 5.15.3 (CATALOG CUTS) required catalog cuts for “*all types of equipment to be installed under this contract.*” The required information on the catalog cuts included the manufacturer's name, address, telephone number, rating and physical size of equipment, and the standard it meets, such as ASTM, the American Society of Mechanical Engineers (ASME), or the Underwriters Laboratories, Inc. (UL).

Section 5.15.4 (DESIGN STANDARDS) required the contractor to provide copies of all design specifications and manuals used for design including the design calculations. Additionally, the contractor was to provide engineering and architectural design for all work necessary to complete the project and that registered engineering and architectural professionals perform the design. This section also required construction drawings for all new construction, plumbing installation, electrical distribution design, water system design, and sanitary sewer system design. Further, specifications were required for all piping materials, electric wire, electrical components, generators, pumps, air conditioners, windows, doors, metals, and other materials and equipment as deemed necessary by the Government's Project Engineer.

Section 6.0 (PROJECT ENGINEER), required the Government to have a Project Engineer for quality assurance purposes. The Project Engineer, based on other sections of the SOW, was also responsible for approval of the:

- Design and construction start of the renovation of the utilities (Section 5.6);
- Sanitary sewer design and construction start (Section 5.7);
- Electrical power distribution system design and construction start (Section 5.9);
- Potable water supply system design and construction start (Section 5.14);
- Start of construction of the Academy addition (Section 5.15.4); and
- Acceptance of materials used in construction. (Section 6.9).

Contractor's Technical Proposal

The Government accepted SBIG's technical proposal of 17 August 2004 for the base period of the contract on 10 September 2005. Their proposal states on page 56 of 62:

"SBIG will provide full design drawings, engineering design (layout and details), execution of construction works, construction management, organization, and coordination."

SBIG's proposal delineated the following as a scope of work:

- Provide force protected billeting for 600 students.
- Clear and completely remove all debris and rubble on the expedient campsite.
- Construct separate facility and classroom facility for 600 students with 50 instructors at Hilla Regional Public Safety Academy.
- Construct 25 prefabricated billeting buildings for students. Each building will accommodate 24 students; the facilities will billet a total of 600 students. Billeting will be furnished with beds, lockers, mattresses and linens.
- Construct 30 prefabricated latrine and shower buildings for 600 students (100 gallons of water per student per day), equipped with toilets, showers, mirrors, and sinks at a ratio of 1 per 20 and latrine will be eastern style.
- Construct prefabricated billets that will accommodate a total of 50 instructors (one man per room). In addition, the facility will include one lounge area. Billeting will be furnished with beds, lockers, mattresses, and linens.

- Construct prefabricated latrine and shower buildings for instructors, equipped with toilets, showers, mirrors, and sinks at a ratio of 1 per 20 and latrine will be western style.
- Construct 12 prefabricated classroom buildings, to support 50 students per classroom, classrooms will be powered and furnished with chairs, chalk, tables, boards, etc.
- Construct prefabricated laundry room for instructors equipped with 12 industrial standard washers and 12 industrial standard dryers.
- Construct prefabricated dining facility to support 600 men, equipped with sufficient seating, cold storage system, kitchen cooking equipment, shelving for condiments and cooking equipment.
- Provide force protection for the academy as listed in the following:
 - Erect T-wall barrier with a 12-foot stand off distance from the existing wall(s) at the front gate of the compound and around the sides of the compound.
 - Install T-walls and Jersey barriers at front and rear entrances.
 - Install Jersey barriers inside the compound parallel to the road that enters the rear gate and continues approximately 500 feet to the academy structures.
 - Install Jersey barriers to form a parking lot area to deny vehicle access to other areas of the compound.
 - Erect T-walls around existing academy structure as a limiting feature from airborne projectiles as well as around the expedient billeting and classrooms.
 - Install concertina wire as needed around perimeter of compound and at entry/exit points.
- Renovate and upgrade existing utilities to support 1250 personnel.
- Provide sanitary sewer collection system for all shower and toilet facilities.
- Research, design, renovate, and construct comprehensive electrical power distribution system which will support the entire site and provide 100% electrical backup system.

Reported Project Work Completed (Contract W914NS-04-C-9046)

The completed work reported on the project prior to the site visit was determined through discussions with the U.S. Government's Contracting Officer and Contracting Officer's Representative, as well as a review of the JCC-I/A contract file. Contract payment records indicate the contractor was paid the full amount, in two payments, for CLIN 0009 (Mobilization & Camp Installation at Hilla). The first payment of \$2,465,242 was made on 21 October 2004, and the second payment of \$6,669,320, was made on 4 January 2005. The two payments together equal the full amount for CLIN 0009 which is \$9,134,662.

Prior to the second and final payment for CLIN 0009, the Contracting Officer issued a Cure Notice on 3 December 2004 to SBIG for unacceptable contract performance, citing 11 areas of contract non-compliance, which included the construction of the 600 man

semi-permanent facility. The cure notice indicated the contractor's failure to adhere to their previously submitted construction schedule, which showed a 22 October 2004 completion date for all facilities.

On 22 May 2005, a second Cure Notice was sent to SBIG. The Contracting Officer noted the following construction related items as not acceptable:

- Perimeter walls to obstruct the view of the academy not completed in accordance with the contract SOW;
- Training facility (*classrooms*) improperly insulated for sound attenuation, resulting in noise from one classroom disrupting adjacent classrooms;
- Air conditioning units in student billeting could not meet the cooling demands to maintain comfortable temperatures;
- Cracks and settling floors in the instructor bathroom walls, as well as leaking fixtures;
- Leaking roof in the dining facility;
- Inadequate outside area lighting; and
- An inoperable potable water system.

Subsequent to the second Cure Notice, the Contracting Officer issued a Show Cause letter to SBIG on 25 May 2005. This letter highlighted 11 construction related services where the contractor had failed to perform in accordance with the SOW. Regarding construction related services, the Contracting Officer noted SBIG's failure to:

- Provide sufficient equipment to power the entire camp;
- Research, design, renovate, and construct a comprehensive water supply and distribution system;
- Design, acquire, erect and/or construct T-wall and Jersey barriers;
- Provide any concrete;
- Provide a functioning collocated/adjacent hygiene facility;
- Provide adequate heating ventilation and air conditioning (HVAC);
- Provide a sanitary sewer system;
- Provide telephone, internet, or a satellite dish for instructor offices;
- Provide sufficient generators or concrete pads for them;
- Provide an area lighting system; and
- Submit drawings.

On 26 May 2005, the Contracting Officer and the Officer in Charge of the Police Academy decided to shut the academy operations down because of the ongoing problems at the academy, particularly in the areas of force protection and security. The Contracting Officer issued a letter to SBIG notifying them that the academy would be shut down for a three-week period effective 27 May to 18 June 2005.

Following the academy's shutdown, the Commanding General (CG) for Multi-National Security Transition Command-Iraq wrote a letter to SBIG's Chief Executive Officer on

27 May 2005. The letter expressed the CG's "complete dissatisfaction and frustration" with SBIG's performance at the police academy in Hilla. The CG noted:

"SBIG's failure to meet the most fundamental elements of this critical multi-million dollar contract to the point where we have to stop training and close the academy is the single biggest contractor failure I have witnessed in my nearly 24 months in Iraq."

On 31 May 2005, Modification #05 was issued to terminate the site security services portion of the contract at the Hilla Police Academy for non-performance. On 9 June 2005, the Government subsequently awarded a new contract to EOD Technology, Inc., for security services at the Hilla Police Academy. The contract stipulated a three month base period until 14 September 2005 with another three-month option.

On 5 June 2005, the Contracting Officer issued a letter to SBIG reaffirming the decision to partially terminate the security services from their contract. Also contained in this letter, is an acknowledgement by the Contracting Officer that the Government previously made payments to SBIG for construction services that had not even begun. The Contracting Officer stated:

"SBIG presented DD250s and invoices and the Government in good faith reliance on SBIG's representations, paid. Although, the Government erroneously signed and processed these invoices, in this case, the paid invoices provide no evidence that performance was satisfactory."

On 12 August 2005, JCC-I/A issued a follow-on solicitation for life support services (W914NS-05-R-9055) at the Hilla Police Academy to begin 01 October 2005. Because SBIG was in consideration for this follow-on life support services contract, the Contracting Officer sent a Determination of Responsibility letter to SBIG on 17 August 2005. The letter highlighted SBIG's improper billing for services (force protection, medical, armory, and construction) not performed on Contract W914NS -04-C-9046. Pertaining to construction, the Contracting Officer noted:

"It appears as if you billed for construction services on 27 November 2004 even though your construction effort didn't begin until 28 November 2004 and was not complete until mid March 2005."

The Contracting Officer requested SBIG's response to issues raised in the letter. Records indicate that JCC-I/A did not receive a response, possibly because on 18 August 2005, the Contracting Officer and SBIG's Chief Executive Officer signed a "Settlement Agreement and Mutual Release." In this document, JCC-I/A agreed to convert the partial termination for cause of security services to a no cost termination. SBIG agreed to waive any right to claim for termination costs. JCC-I/A further agreed not to use any information referring to or related to the partial termination in any performance evaluation of SBIG for the award of a future JCC-I/A contract, or on a contract solicited

by another agency. JCC-I/A also agreed to provide an evaluation of SBIG's performance from contract start of 15 September 2004 through 17 August 2005. Exhibit 1 of the "Settlement Agreement and Mutual Release" documents the evaluation. In this evaluation, the Contracting Officer rated SBIG's performance with construction at Hilla as "unsatisfactory." For overall performance at Hilla, the Contracting Officer gave SBIG a "marginal" rating. Subsequent to the Settlement Agreement and Mutual Release, the Government awarded the follow-on contract (W914NS-05-D-9033) for life support services at Hilla to SBIG on 26 September 2005. This contract is currently active.

Site Assessment

Construction Design and Submittal Review

In addition to the onsite assessment at the Hilla Police Academy, our team, which included an auditor and a civil engineer, looked at the contract file to review the required submittals. We found there were no submittals in the file or any record of their transmittal to the Government. We also found there were no design calculations, construction specifications and drawings, manuals, or catalog cuts of equipment to be installed on the contract even though required by Sections 5.15.3 - 5.15.5 of the SOW.

Further, Section 6.0 of the SOW required the Government to have a Project Engineer for quality assurance purposes. Based on the requirements in the SOW, the Project Engineer was also responsible for approval of the:

- Design and construction start of the renovation of the utilities (Section 5.6);
- Sanitary sewer design and construction start (Section 5.7);
- Electrical power distribution system design and construction start (Section 5.9);
- Potable water supply system design and construction start (Section 5.14);
- Start of construction of the academy addition (Section 5.15.4); and
- Acceptance of materials used in construction. (Section 6.9).

We could not locate any record in the contract file that an engineer was appointed to perform the quality assurance, and review and approval functions. Further, our review indicates the contractor did not seek approval for any design work and started construction without seeking approval from the Contracting Officer (or authorized representative) for any of the major construction elements listed above.

Onsite Assessment

On 23 December 2005, our team conducted an onsite assessment of the Hilla Police Academy. The assessment covered work completed on the previous DFI contracts (addressed earlier in this report) as well as the completed construction on IRRF contract W914NS-04-C-9046.

The assessment team examined the following items associated with the construction on IRRF contract W914NS -04-C-9046:

- Electrical generation system;
- Wastewater system;

- Potable water system;
- Student training facilities;
- Student billeting;
- Instructor billeting and lounge;
- Dining facility; and
- Concrete sidewalks and pads.

Summary of the Results

Electrical Generation System

Section 5.15.5 of the SOW required the contractor to provide an electrical power supply and distribution survey on the existing conditions and an electrical power supply and distribution design. A review of the contract files show the contractor provided neither.

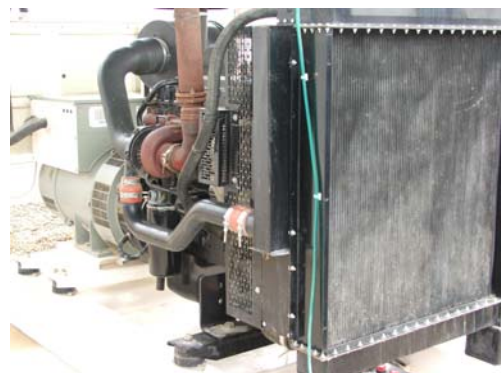
Further, Section 5.9 of the SOW required the contractor not to begin construction until the Government's Project Engineer approved the contractor's design. A review of the contract file and discussions with JCC-I/A indicate the Government did not appoint a Project Engineer nor was a project design submitted for the electrical distribution system.

Additionally, page 57 of 62 of the contractor's Technical Proposal dated 17 August 2004 stated SBIG would research, design, renovate, and construct a comprehensive electrical power distribution system to support the entire site and would provide a 100% electrical backup system. Again, a review of the contract files provided no evidence that a design of the electrical distribution system was ever completed.

Our onsite inspection showed there are two generators: one rated at 615 kilowatts (Site Photo 1) and the other at 220 kilowatts (Site Photo 2). The police academy relies on commercial power for its primary source of electricity. We could not determine how much of the police academy's electrical demand was met with the two generators because the contract files do not contain any information regarding the existing conditions survey or power supply design.



Site Photo 1. 615 Kilowatt Generator



Site Photo 2. 220 KW Generator

Wastewater System

Section 5.15.5 of the SOW required the contractor to provide a sanitary sewer system survey on the existing conditions and a sanitary sewer systems design. A review of the contract files show the contractor provided neither.

Section 5.7 required the contractor to conduct a complete site investigation and field check to fully research and document the existing sanitary sewer system. It also required the contractor to map out all existing conditions and provide a complete design illustrating all existing and proposed new phased work for the complete renovation of the sanitary sewer system. A review of the contract files and discussions with JCC-I/A indicate that the Government did not receive any design submitted for the sanitary sewer system.

Section 5.13 of the SOW required the contractor to test and commission the sanitary sewer system after completing the work by testing, adjusting, balancing and regulating the system and its controls to function as designed. This section of the SOW also required the contractor to include tests for interlocks, safety cutouts, and other protective devices to demonstrate safe operation. These operational and safety tests were to be conducted in the presence of the Contracting Officer or representative. The contractor was required to submit full written records of the test data and final settings to the Contracting Officer. We reviewed the contract file and did not find any written records to document that these tests were actually conducted.

The visible parts of the sanitary sewer system observed during the site visit were the collection tanks. There was one above ground wastewater collection tank and three tanks partially buried (Site Photo 3). In addition, the SBIG representative who accompanied us on the site visit indicated there was also an underground wastewater collection tank (Site Photo 7). We could not determine whether there was enough capacity in these tanks to meet the daily demands of the Academy students and staff without a design illustrating the complete system.



Site Photo 3. Partially Buried Wastewater Tank



Site Photo 4. Underground Wastewater Tank

Potable Water System

Section 5.15.5 of the SOW required the contractor to provide a water supply and distribution survey on the existing conditions and a water supply and distribution system design. This section of the SOW also required the contractor to submit the appropriate manufacturers' information on pumps, valves, and tanks. A review of the contract files show the contractor did not provide any of these required submittals.

Additionally, page 57 of 62 of the contractor's Technical Proposal, dated 17 August 2004, stated that the contractor would research, design, renovate, and construct a comprehensive water supply and distribution system for the expedient camp. Again, a review of the contract files provided no evidence that a design of the water supply and distribution system was ever completed.

Section 5.14 required the contractor to receive approval of the design prior to starting construction by the Government's Project Engineer. Based on a review of the contract file, the government did not have a Project Engineer nor was there any record of a design submittal or approval by the Government.

Section 5.13 of the SOW required the contractor to test and commission the water supply and distribution system after completing the work, by testing, adjusting, balancing and regulating the system and its controls system to function as designed. This section of the SOW also required the contractor to include tests for interlocks, safety cutouts, and other protective devices to demonstrate safe operation. These operational and safety tests were to be conducted in the presence of the Contracting Officer or representative. The contractor was required to submit full written records of the test data and final settings to the Contracting Officer. We reviewed the contract file and did not find any written records to document these tests were actually conducted.

During our site visit, we observed two sets of water storage tanks, one set of three tanks, approximately 6,000 liters each and the other set comprised of 21 tanks, 10,000 liters each (Site Photo 5). In addition, the site contained a reverse osmosis water purification system. We were unable to determine if the entire system met the water demands for the police academy. We could not verify if the system was properly constructed and integrated without a design or manufacturers' catalog cut information providing details on the system and major components.



Site Photo 5. Water Storage Tanks

Student Training Facilities

Section 5.15.5 of the SOW required the contractor to submit a trailer design for the classrooms. We reviewed the contract file and did not find any submittal for the training facilities.

Due to time constraints, we visited only one classroom during our onsite assessment. Students were not present since we toured the police academy on a Friday. The classroom was well organized and appeared to be fully functional with only one discrepancy noted. Section 5.2 of the SOW required electrical outlets every 4 meters. The classroom did not meet this standard.

Student Billeting

Section 5.15.5 of the SOW required the contractor to submit a trailer design for the living quarters. This section of the SOW also required a submittal for the bathroom fixtures to include toilets, sinks, faucets and showerheads. We reviewed the contract file and did not find a submittal regarding the living quarters or the bathroom fixtures.

Due to time constraints, we visited only one student barracks during our onsite assessment. As shown in Site Photo 6, the student billeting consists of one large open room with bunk beds and lockers.



Site Photo 6. Student Billeting at the Hilla Police Academy

The barracks appeared to be in serviceable condition. In the 22 May 2005 Cure Notice issued by the Contracting Officer, one of the items included “inadequate air conditioning for student billeting.” The buildings containing student billeting contained six, split system air conditioning units for heating and cooling. Section 5.15.5 of the SOW required submittals on air conditioning systems, heaters, and fans. We found no submittals on the air conditioning system in our review of the contract file. Thus, we could not determine if the six units sufficiently met the cooling demand.

Instructor Billeting and Lounge

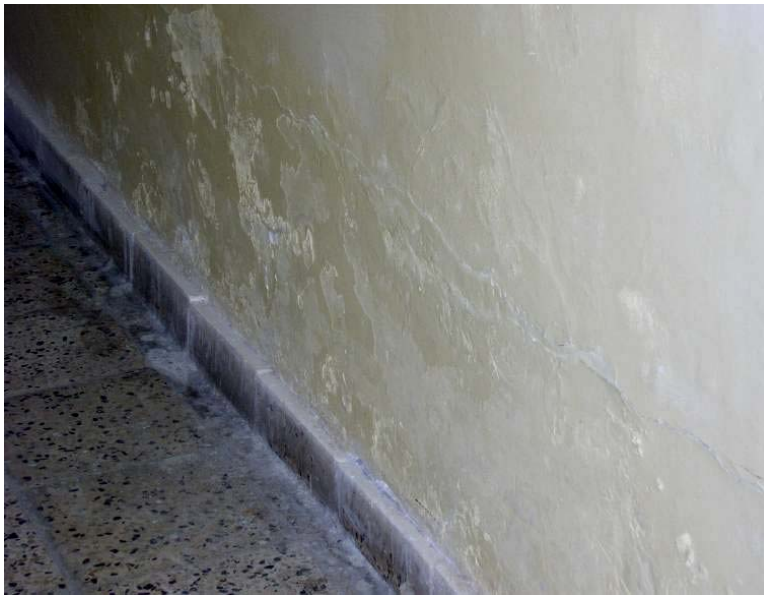
Section 5.15.5 of the SOW required the contractor to submit a trailer design for the living quarters. This section of the SOW also required a submittal for the bathroom fixtures to include toilets, sinks, faucets and showerheads. We reviewed the contract file and did not find a submittal regarding the living quarters or the bathroom fixtures.

In our onsite review, we looked at one of the instructor rooms, the lounge, and one of the bathrooms; all appeared to be in serviceable condition. However, we observed only one telephone in the lounge area. Section 5.4 of the SOW required 10 phones for the lounge area.

There were settlement cracks in the walls (Site Photo 7) at several locations within the building. We also noticed moisture damage along the hallway walls outside the bathrooms (Site Photo 8). The Contracting Officer in the Cure Notice to SBIG dated 22 May 2005 had noted these discrepancies.



Site Photo 7. Crack in Hallway Wall in Instructor Billeting Area (Photo courtesy of Contracting Officer Representative; taken on 9 December 2005)



Site Photo 8. Moisture Damage in Wall Adjacent to Bathroom in Instructor Billeting Area

Dining Facility

The dining facility appeared to be in generally good condition (Site Photo 9). However, we did find a crack in one of the exterior walls near an exhaust fan in the dining area. Also, in one corner of the dining area, there was a water stain and mold along the wall running down from the ceiling tile.

In addition, Section 5.5 of the SOW required the contractor to provide electrical outlets every 4 meters, a fire alarm system with pull down switches every 5 meters, and fire extinguishers every 5 meters. Fire extinguishers were present, but the standard was not met for electrical outlets and pull down switches.



Site Photo 9. The Dining Facility

Concrete Sidewalks and Pads

Section 5.1.4 of the SOW requires contractor to provide a broom type finish to concrete. Further, the SOW states:

“Concrete shall be free from excessive voids or cracks when poured and be wetted sufficiently as to avoid stress cracking due to excessive moisture loss.”

We did not find any of the sidewalks with a broom finish. Further, we observed a very rough surface texture and cracking in some of the sidewalks (Site Photo 10).



Site Photo 10. Rough Surface Texture and Cracks in Concrete Sidewalk

Project Quality Management

The contractor's quality control and the U.S. Government's quality assurance program were not adequate. For example, there were no established procedures in place to ensure that potential construction deficiencies were detected, evaluated, and properly corrected in a timely manner.

Further, Section 6.8 of the SOW states:

“The contractor shall have at least one employee assigned to Quality Assurance full time, whose only responsibilities shall be quality assurance.”

Alternatively, SBIG in its proposal of 17 August 2004, states:

“In selected situations , a full time QA/QC specialist will also be assigned to a specific site for limited durations to oversee QA/QC upgrades and/or implementation confirmation as required to address specific customer issues or concerns and to ensure both SBIG corporate and site specific QA/QC standards are maintained.”

Yet, in our review of the contract file, we found no documentation that SBIG had a full time, day-to-day QA/QC specialist onsite during construction.

Additionally, Section 6.1 of the SOW required the Government to provide a Project Engineer to ensure quality assurance goals were met. We determined that a Project Engineer with corresponding duties described in the SOW, was not appointed prior to, or during construction.

DFI Contracts at the Hilla Police Academy

Objective of the Project Assessment

The objective of this part of the DFI contract project assessment was to focus on the evaluation of previously known deficiencies to determine if appropriate corrective action was taken.

Pre-Site Assessment Background

Description of the Facility (Preconstruction)

The police academy site at one time contained a Ba'ath Party building utilized under the Hussein Regime. The building was demolished in 2004 under the first of the 11 DFI contracts (DABV01-04-M-8016) to prepare the site for the police academy. The academy is located in Hilla, east of the Tigris River. The academy is located in an area that is a combination of residential, commercial, and industrial development. Topography of the site is generally level in grade.

DFI Contracts and Costs

The South-Central Region awarded 11 contracts in support of the Hilla Police Academy. GBG received the awards for all 11 contracts that were solicited between 4 January and 25 March 2005. The 11 contracts totaled \$5,262,015. Of the eleven, five (listed below) were selected to be included in the assessment.

DABV01-04-M-8069, dated 24 January 2004, for \$475,000. This contract required the construction of security walls. The SOW specified:

- A foundation for the walls;
- Concrete for the wall footers;
- Concrete for the walls (three meters high by one meter thick); and
- Three electric, sliding metal gates.

DABV01-04-M-8070, dated 24 January 2004, for \$495,000. This contract was for the construction of a guard building, conference buildings, living quarters, a fresh water purification system and a wastewater facility. The SOW specified:

- Conference structure;
- Living/office structures;
- Wastewater treatment facility;
- Fresh water purification facilities;
- 500 KVA generator;
- 400 amp 230/400volt distribution panel with required branch circuits to service the police academy; and
- Furnishings for the buildings including heating and air conditioning units.

DABV01-04-M-8091, dated 31 January 2004, for \$498,600. This contract was for six mobile police station units including:

- 10' x 30' trailers with office space, sleeping quarters and bathroom;

- Portable VHF radios;
- Halogen light stands;
- Repeater stations for radios;
- Generators sets; and
- Six all-terrain vehicles.

DABV01-04-M-8265, dated 2 March 2004, for \$448,500. This contract was for security upgrades to include:

- External lighting system;
- Steel guard towers;
- Force protection to include the use of T-walls, Jersey barriers and Hesco barriers;
- Steel gates reinforced with a metal frame of structural tubing; and
- Hydraulic steel lifts at each gate.

DABV01-04-M-8326, dated 23 March 2004, for \$479,550. This was for the supply of a power generation system consisting of:

- Two generators (a 1 MW generator and a 500 KW generator);
- Concrete pads for the generators; and
- Fuel tanks.

Contract Work Not Completed as Reported in May 2005

Two documents were used to determine contract work not completed for the five DFI contracts. Report No. SIGIR 05-16 “Management of the Contracts and Grants Used to Construct and Operate the Hilla Police Academy” provided a description of work not completed for two of the five DFI contracts. A written summary of a SIGIR interview with the Iraqi Dean of the Police Academy and concurrent site visit conducted 10 May 2005 provided the other source document.

- DABV01-04-M-8091: Six all-terrain vehicles were not delivered.
- DABV01-04-M-8069: Problems with the security walls. Gaps exist in the walls that would permit insurgents to fire weapons or place bombs inside the academy. Although the gaps were filled, the walls are insufficient to provide minimal security to the occupants of the academy.
- DABV01-04-M-8070: The wastewater facility did function as the contract required. The contractor did not resolve the design, capacity, and operation issues. Although, the system was designed to operate with two pumps, only one pump was installed.
- DABV01-04-M-8265: The contractor did not install the guard towers or the iron gate reinforced with a metal frame of structural tubing.
- DABV01-04-M-8326: The contractor did not deliver or install the two generators. In addition, one generator removed for overhaul, was not returned.

Site Assessment

On 23 December 2005, our team, which included a professional engineer and an auditor, conducted an onsite assessment of the Hilla Police Academy. The assessment covered work completed on the five DFI contracts to determine if corrective action had been taken regarding the discrepancies noted above. The onsite assessment also included a review of the completed construction on contract W914NS-04-C-9046. This section provides results of the DFI contracts assessment.

Summary of the Results

DABV01-04-M-8091: Six all-terrain vehicles were never delivered. Our assessment revealed the vehicles had not been delivered to the police academy.

DABV01-04-M-8069: Insufficient security wall strength and mass to withstand an attack. Our assessment showed that perimeter walls adjacent to classrooms or berthing areas are reinforced with Hesco walls on the inside of the perimeter wall. Site Photo 11 shows the Hesco wall adjacent to classrooms along the north perimeter wall. The Hesco walls at the police academy were not constructed by GBG. They were installed under a separate contract awarded and administered by JCC-I/A.

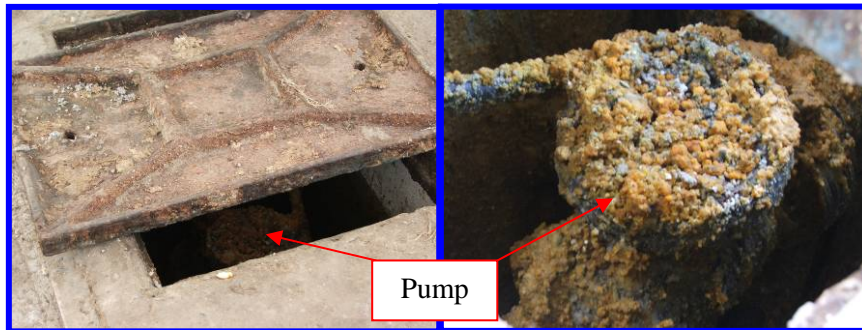


Site Photo 11. Hesco Wall Reinforcing the Outside Concrete Perimeter Wall

DABV01-04-M-8070: The wastewater facility did function as the contract required. The contractor did not resolve the design, capacity, and operation issues. Although, the system was designed to operate with two pumps, only one pump was installed.

The contract originally called for a wastewater lift station with a grinder pump (and a backup pump) capable of transferring effluent 500 linear feet from the camp to the nearest city sanitary sewer manhole; our assessment showed one pump. The wastewater

is not pumped to a city sanitary sewer manhole but it is pumped to wastewater collection tanks on site where it is stored until collected by vacuum trucks. Site Photo 12 shows the grinder pump basin and a close-up of the pump. The pump is entirely encrusted with deleterious material deposits which indicate no preventive maintenance was performed.



Site Photo 12. Grinder Pump Basin with Close-up of Pump

Site Photo 13 shows a series of three wastewater collection tanks. Wastewater is stored in these tanks until pumped out by the vacuum trucks. Since there was no design or as-built drawings showing the layout of the sanitary sewer lines or system flow diagrams, we could not determine specifically if (and how) the three tanks are interconnected below grade, nor could we determine how other connections are made from the latrines or from the dining facility.



Site Photo 13. Wastewater Collection Tanks Partially Buried

DABV01-04-M-8265: The contractor did not provide the guard towers or install an iron gate reinforced with a metal frame of structural tubing.

The contract required four steel guard towers and 18 light towers with four halogen lights on each tower along the perimeter. The contract also required three iron gates

12' wide and 8' high, hinged on each side. The gates were also to be equipped with a hydraulic steel lift and spikes to flatten vehicles tires.

Guard towers exist along the perimeter at the Hilla Police Academy. However, they are wood towers as seen in Site Photo 14 and GBG did not install them.

There is only one entrance gate at the Hilla Police Academy. The gate is a manually operated lift gate with a counterweight. The gate area also does not have spikes or a hydraulic lift. In addition, some light towers exist but contain only one light, not the four-halogen lights required in the contract.



Site Photo 14. Guard Tower at the Hillah Police Academy

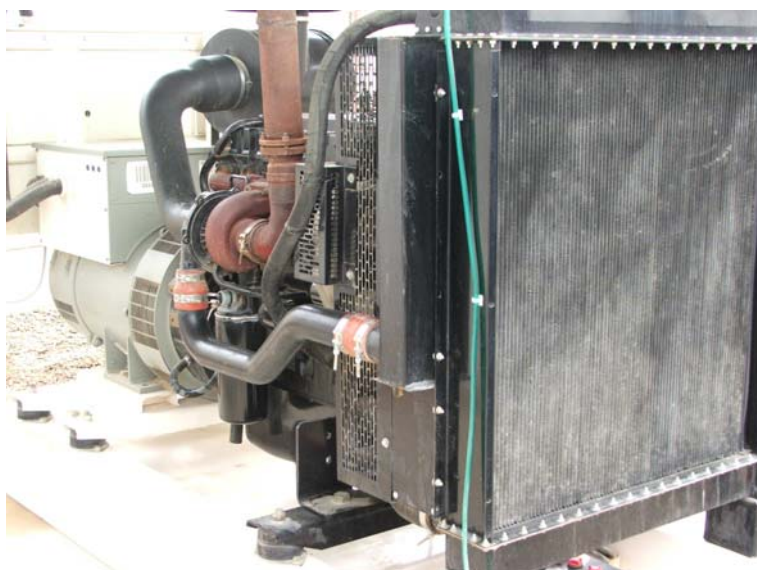
DABV01-04-M-8326: The contractor did not deliver or install the two generators. In addition, GBG removed one generator for overhaul and it was not returned.

SIGIR Audit Report 05-16, notes that three generators were purchased for the police academy -- two 500-kilowatt generators and a one-megawatt generator. The report mentions that the one-megawatt generator and one of the 500-kilowatt generators had not been delivered. Further, the 500-kilowatt generator that had been delivered was offsite for repairs. We observed two generators during our site visit. While onsite, we ascertained that GBG had not supplied either one. The larger generator, shown in Site Photo 15, is rated at 615 kilowatts according to factory plate information.



Site Photo 15: 615 KW Generator at the Hilla Police Academy

The other generator onsite, shown in Site Photo 16, is rated at 220 kilowatts. While on site, an employee of the current life support contractor, SBIG, started the engines on both generators and let them run for several minutes. However, the generators did not carry any electrical load during the test runs. The police academy currently relies on commercial power as its primary source of electricity, with the generators serving as a backup. At this time, it could not be determined how much of the electrical demand from the police academy could be supported with power supplied solely from the two generators.



Site Photo 16: 220 KW Generator at Hilla Police Academy

Conclusions

IRRF Contract W914NS-04-C-9046

1. The completed addition to the Hilla Police Academy meets and is consistent with original project objectives. The intent of the contract's second part was the construction of an additional 600-man semi-permanent facility, which included student billeting, instructor billeting, a laundry room, classrooms, a dining facility, renovated and new utilities, HVAC, an area lighting system, and force protection (barriers, perimeter walls and gates). These components were constructed or installed. However, there were multiple problems identified during construction as documented by two cure notices, one show cause letter, the MNSTC-I CG letter, and the partial contract termination of the force protection component of the project. Further, there still are ongoing problems identified in our onsite assessment such as the cracks in the walls, backup power capability, poorly constructed sidewalks, and possible roof leak in the dining facility. Continued degradation of the police academy infrastructure will occur if these problems are not addressed.
2. The design required by the SOW was not accomplished. It appears the Government failed to ensure the design requirements were met. Even though the SOW clearly required design submittals for the major components of the police academy addition, the contractor never provided them. The contractor was required to provide engineering and architectural design for all work necessary to complete the project. Further, the contractor was required to provide copies of all design specifications and manuals used. The SOW also required construction drawings for all new construction, plumbing installation, electrical distribution design, water system design, and sanitary sewer system design. In addition, the SOW required catalog cuts for all types of equipment that was to be installed under the contract. The contractor provided none of these submittal requirements nor did the Government, during the contract period, actively seek to obtain them.
3. There was no design available to determine if the construction met design standards. The facilities constructed at the Hilla Police Academy appear to be functional, thus allowing Iraqis to be trained as police officers.
4. The contractor's quality control plan and the U.S. Government's quality assurance program were not adequate. There was no established procedures in-place to ensure that potential construction deficiencies were detected, evaluated, and properly corrected in a timely manner. Other than the contractor's proposal of 17 August 2004, there was no documentation demonstrating an active contractor Quality Control Program. Further, the U.S. Government did not have a Project Engineer available to provide ongoing quality assurance during the construction of the police academy's additional facilities needed for the 600 personnel increase.

DFI Contracts.

1. DABV01-04-M-8069, 24 January 2004, \$475,000: This contract required the construction of security walls and gates. The completed project was not consistent with original objectives. As a result, gaps still existed in the walls that would permit insurgents to fire weapons or place bombs inside the academy. Although, some of the gaps were filled with sand bags and Hesco walls were installed next to many of the wall deficiencies, the walls were insufficient to provide maximum security to the academy occupants. In addition, a foundation for the walls was not constructed. Also, the three electric sliding metal gates were never installed. Therefore, the original objective of the contract was not met.
2. DABV01-04-M-8070, 24 January 2004, \$495,000: This contract was for the construction of a guard building, conference buildings, living quarters, and a wastewater facility. The completed project was not consistent with original objectives. The wastewater facility did function as the contract required. The contractor did not resolve the design, capacity, and operation issues. Although, the system was designed to operate with two pumps, only one pump was installed. Therefore, the original objective of the contract was not met.
3. ABV01-04-M-8091, 31 January 2004, \$498,600: This contract included six mobile police station units and six all-terrain vehicles. The completed project was not consistent with original objectives. Although the six mobile police station units (trailers) were delivered, the six all-terrain vehicles were not. Therefore, the original objective of the contract was not met.
4. DABV01-04-M-8265, 2 March 2004, \$448,500: This contract was for security upgrades to include an external lighting system, steel guard towers and hydraulic steel lifts at each gate. The completed project was not consistent with original objectives. None of these items was ever installed. Therefore, the original objective of the contract was not met.
5. DABV01-04-M-8326, 23 March 2004, \$479,550: This was for a power generation system consisting of two generators (a 1 MW generator and a 500 KW generator) and concrete pads for the generators. The completed project was not consistent with original objectives. The contractor did not deliver or install the two generators. In addition, one generator removed for overhaul, was not returned. Therefore, the original objective of the contract was not met.

SIGIR Comment. Our report of audit dated 26 October 2005, Report 05-016 recommended that the Commander, Joint Contracting Command-Iraq/Afghanistan, ensure all purchased equipment is delivered and construction is complete. Management agreed; however, no progress has been accomplished to date.

Recommendations

The Director, Iraq Reconstruction Management Office; Commander, Gulf Region Division; Commander, Joint Contracting Command-Iraq/Afghanistan; and Commanding General of the Multinational Transition Security Command-Iraq should coordinate and:

1. Repair existing construction deficiencies at the Hilla Police Academy. First, identify all deficiencies through a comprehensive onsite inspection. Secondly, provide the list to SBIG for corrective action or initiate a separate contract to carry out the necessary repairs.
2. In future efforts, when there is a construction requirement associated with life support, remove the construction elements and provide them to GRD to accomplish.
3. For future contracts with submittal requirements, establish procedures for the proper handling and reviewing of items submitted by the contractor. This should include a mechanism to review, accept or reject contractor submittals, and catalog cuts.
4. Correct the long-standing DFI contract deficiencies at the Hilla Police Academy.

Management Comments

The Principal Assistant Responsible for Contracting, JCCI/A, concurred with our conclusions and recommendations providing the following comments with an alternate solution for recommendation 2. Also, management provided input for the discussion on page 11 stating “In addition to waiving rights to claim for termination costs, the government received consideration from SBIG in the form of payment of \$600,000.”

1. “The contracting officer, contract administrator, the contracting officer representative, and a United States air Force Security Police specialist visited the site in early December 2005 to evaluate the security deficiencies. CPATT is preparing specifications to implement the changes to security system requirements. Based upon this report, the contracting officer will request MNSTC-I to obtain the services of engineers, for example GRD to conduct an engineering assessment of the facility for structural soundness. If corrective action is required, the contracting officer and MNSTC-I will then determine the best approach for any repairs.”
2. Concur with alternate solution. “JCC-I/A concurs that construction requirements should be separated from service contracts with the exception of temporary facilities. Non-concur the construction requirement should not be provided to GRD to award contracts. JCC-I/A is the contracting activity established by USCENTCOM to provide all contracting in the theater, efficiently and effectively at the least cost. GRD charges for the awarding of contracts. MNSTC-I should, however, consider requesting GRD to administer the construction contract after it is awarded by JCC-I/A. JCC-I/A concurs that construction contracts should be administered by engineers, but awarded by JCC-I/A contracting officers.”

3. “The handling of data submittals is part of the normal construction and no additional procedures are necessary. Technical support must be available to the Contracting Officer to review the submittals. At this time most of our customers have limited ability to perform these technical reviews. GRD with their engineering expertise would be the most qualified organization to perform function of construction contract administration.”
4. “JCC-I/A concurred on the original recommendation. DFI-funded contracts were awarded by CPA and the contractor was paid by CPA for work that was not completed. If additional funds are provided, JCC-I/A will award contracts to complete the work and delivery in a satisfactory manner and all equipment is received.”

Evaluation of Management Comments

Management comments addressed the issues raised in our conclusions and actions taken should correct the deficiencies. We agree with management’s alternate solution to recommendation 2. Therefore, we have revised our report accordingly.

Appendix A. Scope and Methodology

We performed this project assessment in December 2005 in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included a professional engineer and auditor.

In performing this Project Assessment we:

- Reviewed all documentation in the contract file, to include the contract and contract Statement of Work, Contractor's Proposal, contract modifications, and correspondence related to contract performance;
- Reviewed the contract Quality Assurance requirements and Contracting Officer Representative reports;
- Discussed pertinent contract issues with the Contracting Officer and the Contracting Officer's Representative; and
- Conducted an on-site assessment and documented results at the Hilla Police Academy.

We conducted our onsite assessment on 23 December 2005.

Limiting Factors.

The security detail allowed our team one hour at the Hilla Police Academy. In addition, we were required to stay together as a group. Therefore, time was not sufficient for us to view the whole facility.

Prior SIGIR DFI Report.

SIGIR issued an audit report on 26 October 2005, Management of the Contracts and Grants Used to Construct and Operate the Hilla Police Academy. The report disclosed deficiencies with 11 contracts. Due to time constraints and security issues, we reviewed 5 of the 11 contracts to determine if remedies were accomplished.

Appendix B. Acronyms

CPA	Coalition Provisional Authority
CIIN	Contract Line Item Number
CQC	Contractor Quality Control
GBG	Global Business Group Logistics
GRD	Gulf Region District
JCC-I/A	Joint Contracting Command – Iraq/Afghanistan
QA	Quality Assurance
SBIG	SBIG Logistics and Technical Services, Inc.
SIGIR	Special Inspector General for Iraq Reconstruction
SOW	Statement of Work

Appendix C. Report Distribution

Department of State

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

U.S. Ambassador to Iraq

Director, Iraq Reconstruction Management Office

Inspector General, Department of State

Department of Defense

Deputy Secretary of Defense

Director, Defense Reconstruction Support Office

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Inspector General, Department of Defense

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition,

Logistics, and Technology

Deputy Assistant Secretary of the Army

Commanding General, Joint Contracting Command – Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force – Iraq

Commanding General, Multi-National Corps – Iraq

Commanding General, Multi-National Security Transition Command – Iraq

Commander, Joint Area Support Group – Central

Other Defense Organizations

Director, Defense Contract Audit Agency

Other Federal Government Organizations

Director, Office of Management and Budget

Comptroller General of the United States

Inspector General, Department of the Treasury

Inspector General, Department of Commerce

Inspector General, Health and Human Services

Inspector General, U.S. Agency for International Development

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations

Subcommittee on Defense

Subcommittee on Foreign Operations

Senate Committee on Armed Services

Senate Committee on Foreign Relations

Subcommittee on Near Eastern and South Asian Affairs

Subcommittee on International Operations and Terrorism

Senate Committee on Homeland Security and Governmental Affairs

Subcommittee on Government Efficiency and Financial Management

Subcommittee on Financial Management, the Budget, and International Security

U.S. House of Representatives

House Committee on Appropriations

Subcommittee on Defense

Subcommittee on Foreign Operations, Export Financing and Related Programs

House Committee on Armed Services

House Committee on International Relations

Subcommittee on Middle East and Central Asia

House Committee on Government Reform

Subcommittee on Government Efficiency and Financial Management

Subcommittee on National Security, Emerging Threats and International Relations

Appendix D. Project Assessment Team Members

The Office of the Assistant Inspector General for Inspections, Office of the Special Inspector General for Iraq Reconstruction, prepared this report. The principal staff members who contributed to the report include:

Andrew S. Griffith, P.E.

William Whitehead